

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 11705 01 OF 02 141947Z

66

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 L-03 SS-20 NSC-07

XMB-07 TRSE-00 DRC-01 /095 W

----- 016652

R 141801Z MAY 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9132

LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 11705

E.O. 11652: N/A

TAGS: ETRN, FR

SUBJECT: CIVAIR: FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN
AIRLINES

REF: STATE 79306

1. AIR FRANCE IS NATIONALIZED CORPORATION WHICH BY ITS STATUTES IS REQUIRED TO FINANCE FROM ITS OWN EARNINGS ALL OPERATING EXPENSES, COST OF BORROWING, AMORTIZATION OF PLANT AND EQUIPMENT, AS WELL AS BUILD-UP OF RESERVE FUND FOR CONTINGENCIES. THERE IS THUS NO PROVISION FOR ANY COVERAGE OF AIR FRANCE OPERATING DEFICIT FROM GOF BUDGET; INDEED, IN REVEALING DEFICIT FOR 1973 AND PROBABLY ALSO FOR 1974 AIR FRANCE MANAGEMENT ANNOUNCED PLANS FOR ITSELF ABSORBING THIS DEFICIT IN COMING YEARS' OPERATIONS. NOTWITHSTANDING THIS FINANCIAL AUTONOMY OF AIR FRANCE, (AND CONSIDERABLE AUTONOMY IN DAY-TO-DAY MANAGERIAL DECISIONS), ONE CANNOT RULE OUT POSSIBILITY THAT STATE COULD STEP IN TO PROVIDE SOME FORM OF DIRECT FINANCIAL ASSISTANCE SHOULD AIR FRANCE'S FINANCIAL SITUATION DETERIORATE DRASTICALLY IN COMING YEARS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 11705 01 OF 02 141947Z

2. CONTRIBUTING TO AIR FRANCE'S SELF-FINANCING

ABILITY AT EXPENSE OF RETURN ON CAPITAL INVESTMENT, ACCORDING SENATE FINANCE COMMITTEE REPORT ON 1974 BUDGET, IS AIR FRANCE POLICY OF AMORTIZ-ING MEDIUM-RANGE AIRCRAFT OVER NINE YEARS AND LONG-RANGE AIRCRAFT OVER TEN YEARS COMPARED TO RATES OF TWELVE AND FOURTEEN YEARS RESPECTIVELY SAID TO BE COMMON FOR MOST OTHER EUROPEAN AIRLINES.

3. ONE FORM OF DIRECT ASSISTANCE GOF CAN PROVIDE IS CONTRIBUTION TO INCREASED CAPITALIZATION OF AIR FRANCE, AND 700 MILLION FR. CONTRIBUTION FOR THAT PURPOSE WAS MADE IN 1973. (SENATE FINANCE COMMITTEE REPORT REFERRED TO ABOVE NOTES THAT THIS CONTRIBUTION WAS ONLY 12 PERCENT OF 6 BILLION FR. COST OF GLOBAL INVESTMENT AIR FRANCE HAD PROGRAMMED FOR PERIOD 1973-77.)

4. GOF APPROVAL OF DELAY UNTIL NOV. 1974 OF TRANSFER OF AIR FRANCE'S NORTH ATLANTIC SERVICE FROM ORLY TO CDG AIRPORT IN ORDER TO EASE FINANCIAL BURDEN ON AIR FRANCE IN 1974 COULD BE CONSIDERED A FORM OF ASSISTANCE. HOWEVER, THIS IS A ONE-TIME PROPOSITION AND CIRCUMSTANCES ARE EXCEPTIONAL, QUITE ASIDE FROM WHATEVER JUDGMENT WE MIGHT HAVE ON THE LEGITIMACY OF THIS DECISION IN TERMS OF US-FRANCE BILATERAL OBLIGATIONS. THERE IS NO ESTIMATE AVAILABLE TO US OF WHAT COST-SAVING MIGHT BE FOR AIR FRANCE.

5. 1974 GOF BUDGET SHOWS M9DEST SUBSIDY FOR LOCAL SERVICE PROVIDED BY FRENCH AIRLINES BENEFITTING OVERSEAS TERRITORIES IN FRENCH POLYNESIA AND THE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 11705 02 OF 02 141937Z

66

ACTION EB-11

INFO OCT-01 ISO-00 EUR-25 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 L-03 SS-20 NSC-07

XMB-07 TRSE-00 DRC-01 /095 W

----- 016534

R 141801Z MAY 74
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 9133

LIMITED OFFICIAL USE SECTION 02 OF 02 PARIS 11705

COMOROS (300,000 FRF. EACH AREA).

6. GOF DOES GUARANTEE LOANS (E.G., EX-IM) CONTRACTED BY AIR FRANCE FOR AIRCRAFT PURCHASE. IT HAS LONG BEEN A SOURCE OF COMPLAINT IN FRENCH AERONAUTICAL INDUSTRY THAT UNTIL NOW GOF POLICIES HAVE PRECLUDED OFFERING FINANCING TERMS AS FAVORABLE AS THOSE OF EX-IM BANK FOR PURCHASE.

7. US CARRIERS CONFIRM OUR UNDERSTANDING THAT FRENCH INTERNATIONAL CARRIERS DO NOT ENJOY PREFERENTIAL TREATMENT AS REGARDS LANDING FEES, AIRPORT CHARGES, ETC. IN FRANCE.

8. AIR FRANCE ANNUAL REPORT SHOWS PAYMENT OF TAX ON CORPORATE PROFITS IN 1972. EMPLOYEES RECEIVE NO SPECIAL BENEFITS UNDER FRENCH INCOME TAX.

9. AIR FRANCE, LIKE US CARRIERS OPERATING INTO FRANCE, RECEIVED SUBSTANTIAL DISCOUNT FROM SUPPLIERS ON PURCHASE AVIATION FUEL PRIOR MIDDLE EAST CRISIS. THIS WAS NOT DISCRIMINATORY AS BETWEEN FRENCH AND NON-FRENCH CARRIERS, HOWEVER, AND HAS SINCE BEEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 11705 02 OF 02 141937Z

TERMINATED WITH RISE IN FUEL COSTS.

10. UTA IS PRIVATE CORPORATION WHICH TO OUR KNOWLEDGE RECEIVES NO SPECIAL FORMS OF ASSISTANCE FROM GOF (EXCEPTING POSSIBLY LOCAL SERVICE SUBSIDY MENTIONED ABOVE AND GOF GUARANTEE FOR SOME OF ITS BORROWING).
IRWIN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, BUDGETS, SUBSIDIES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARIS11705
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740118-0897
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740549/aaaabrph.tel
Line Count: 162
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 79306
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2002 by kellew0>; APPROVED <14 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN AIRLINES
TAGS: ETRN, FR, AIR FRANCE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005